



UPTOWN DESTINATION DISTRICT STRATEGIC DEVELOPMENT PLAN

Review of Cultural and Entertainment Venues and
Preliminary Recommendations for Renewal of Howard Theater

January 20, 2004

Please Note: The following information represents our preliminary findings and insights at this point in time. The findings presented herein are for the purposes of facilitating our working session to identify viable alternatives for the Howard Theater and Square 441. We will continue to update and refine our conclusions as we uncover additional information and review our recommendations with key stakeholders and advisors.

Several important steps have been taken to evaluate the Howard Theater and its surrounding market area.

—Methodology —

- Reviewed history of Howard and Lincoln Theaters
- Reviewed previous studies pertaining to Howard Theater and its surrounding Area, most importantly
 - Howard Theater Feasibility Study, August 1990 by ZHA, Inc.
 - Howard University Cultural District Feasibility Study
 - Four unsolicited proposals currently under consideration by City's Office of Planning and NCRC
- Interviewed key area stakeholders (e.g., land and business owners, community organization leaders)
- Visited and assessed area cultural and entertainment venues
- Assessed the performance history and strategic direction of Lincoln Theater
- Identified trends affecting immediate neighborhood and regional area
- Reviewed comparable national theaters for insights
- Analyzed local theater and entertainment market to identify niche solutions for Howard Theater, in light of Lincoln Theater's strategic direction
- Made preliminary recommendations for possible cultural/entertainment uses at Howard Theater

First and foremost, the Howard theatre occupies an important place in the cultural history of Shaw, Washington, and the nation.

—Historical Significance —

- Opened in 1910 as the nation's first full-size theater built for black audiences and entertainers. Showcased black musical, theatrical, and comedy talent, including Washington natives like Pearl Bailey and Duke Ellington
- Existed as cultural heart of entertainment for black Washington during the first half of the 20th century and pioneered the African-American theater movement
- "It would be easier to name the black performers who didn't play the Howard....there weren't very many."
- "... the Howard was more than a theater; it was an institution, a place where black performers could get a foothold in the profession... and where white audiences could learn the passion and power of the black musician"
- Quality of talent presented bridged the racial divide, with up to 25% of the audience being white. The magnitude of the stars stole the show.
- Success and notoriety of theater along east coast stimulated the development of other African American theaters (e.g., Apollo in NY, Uptown in Philadelphia, Royal in Baltimore)

Previous studies performed on the Howard recognized its historic cultural contributions and sought to revitalize its previous grandeur.

—Excerpts from Howard Theater Feasibility Study - August 1990 —

- “Interviews revealed that without a national orientation or critical mass of community patronage, it is extremely difficult to fill 1,300 seats in the District of Columbia”
- “Many of the smaller theaters are experiencing economic difficulties given the cost of real estate in the District and the revenue that can be generated from a house of less than 200 seats. To remain financially feasible, most of these theaters are subsidized by donations and grants. As a result... there are far fewer small theaters than would be expected given the demand for such space”
- “To draw from the regional market, the Howard Theater must present nationally recognized talent and/or establish a venue that is recognized and acknowledged as the premier showcase for Black entertainment”
- “It is unlikely that the Howard Theater can compete with the other theaters available of comparable size in the District unless such a Black entertainment niche is established”
- “Currently [1990], there is no showcase for Black musical talent in the District. There is a significant opportunity for the Howard Theater to become the showcase for young and/or little known Black musicians.”
- “If a National Jazz Center is established in the District of Columbia, the Howard Theater would be the appropriate house for a resident jazz orchestra. A resident jazz orchestra would provide the Howard with an anchor that would enhance its reuse potential and national recognition.”

Howard University, an important and powerful neighbor, has conducted a revitalization initiative which incorporated a cultural district feasibility study.

— Summary Insights —

- Ambitious concept requiring massive public/private (I.e., federal, district , and University) cooperation and resources
- Presents a comprehensive plan to redevelop 150 block area between Howard University and downtown DC.
- Develops immediate area from Howard University's perspective, which may differ from the perspective of other stakeholders
- Acknowledges that the included cultural components (e.g., African American Museum, Jazz Museum, and Howard Theater) will require operating subsidies
- Proposed African-American Museum is currently pursuing sites on or near the National Mall

Note: Details of the Howard University Cultural District Feasibility Study may be found in the Appendices



Other developers have also presented alternatives for the Howard Theater.

– Insights from Unsolicited Proposals –

<i>Proposal</i>	<i>Key Insights</i>
<i>Broadcast Partners</i>	<ul style="list-style-type: none">• Strong catalyst for economic development of the area• May require public incentives to entice relocation• Major development partners have proven management experience and financial capability for the non-entertainment components (office, retail, and residential)• Option 2 (additional retail & housing) requires cooperation with adjacent land owners• No quantitative analysis provided• May require transfer of development rights above Howard Theater and Metro entrance
<i>IMP/9:30 Club</i>	<ul style="list-style-type: none">• Strong market support for proposed venue with capacity for 5,000• Requires larger footprint than the NCRC parcel• Adverse environmental impact (e.g., parking, servicing, noise) may be substantial• Does not include reuse of Howard Theater
<i>Ellis Enterprises</i>	<ul style="list-style-type: none">• Does not include reuse of Howard Theater• Does not involve NCRC parcel• Adverse environmental impact may be substantial• Development/management team exhibits limited entertainment promotion experience• Concept appears to be oversized for available square footage• No quantitative analysis provided
<i>Kumase Development Group</i>	<ul style="list-style-type: none">• Meets the major goals of restoring the Howard Theater• Requires partial closing of Wiltberger Street• Incorporation of two movie screens may not be feasible• Proposed uses will require proven entertainment management experience



Note: A matrix outlining the details of each proposal is provided in the Appendices

Many constituencies are interested in how the redevelopment of the Howard will affect their interests and those of the neighborhood.

— Relevant Quotes —

- “If you live next to Times Square, you have to expect a little Times Square.” (night club owner)
- “Howard Theater should be a part of the formula but shouldn’t drive it.” (community organization director)
- “Another club in the area would help to build a critical mass and draw more people to the neighborhood. It would not compete with my business.” (night club owner)
- “Recent studies indicate there is a real lack of performance and rehearsal space for small theater groups. However, there appears to be a significant amount of development of smaller theaters in the area, especially among the educational institutions.” (foundation director)
- “Film festivals gridlock this neighborhood.” (community organization director)
- “Parking is an issue and NCRC has in its charter to build parking and so should be encouraged to do so.” (community organization board member)
- “Howard University is an important economic engine in the neighborhood and is a worldwide leader in black heritage. It would be best to cut a deal with it.” (community organization board member)
- “Housing located directly over a Metro station is not the highest and best use.” (retail business owner)

Our market analysis indicates that without an installed audience base or creative product, there is insufficient demand for a new small to medium theater.

— Area Cultural Venue Insights —

- National touring acts performing in the area, seek venues with more seats than are offered by the Lincoln, or a renovated Howard Theater.
- The current supply of large theaters (>1,500 seats) exceeds the demand of the marketplace, with the exception of Broadway productions
- Major producers of national acts have management contracts with specific venues and therefore seek to use those venues whenever possible
- The current and future supply of small to medium theaters (<1,500 seats) meets the demands of the marketplace
- Most small theaters operate at a deficit, thereby requiring endowments and annual fundraising campaigns
- All small to medium theaters currently under development require private fundraising campaigns and/or public financing assistance for their capital costs because the intended use does not deliver a return on invested capital
- The more successful small theaters in town (e.g., Shakespeare, Studio, Roundhouse) have in-house theater groups to augment the touring company productions. Other successful theaters are affiliated with Universities that have an installed base of demand
- Due to the large number of theaters under development, there is great competition for the philanthropic arts dollar.

The Shaw neighborhood and regional area host a vibrant musical club scene.

— Area Entertainment Venue Insights —

- Music scene has changed and the popular music of the past (I.e., Jazz and R&B) is no longer the popular music of today (I.e., hip hop and rap).
- The music that made the Howard famous, Jazz, is no longer played in large performance venues, rather it has moved to intimate clubs and lounges.
- National music acts performing in the area, use venues with more capacity than are offered by the Lincoln, or a renovated Howard Theater.
- Music promoters will always seek venues that enable them to maximize their revenues, enabling the acts to earn more as well.
- Like theater promoters, national music promoters prefer to use venues they manage or have long standing relationships with
- A vibrant club scene exists in Washington with room for additional venues, especially ones with a targeted niche (e.g., type of music, specific targeted market segment, unique product offering)
- 9:30 club dominates the local music scene and is looking to develop a much larger venue
- A common trend, not prevalent in DC currently, is to combine upscale food and beverage facilities with live music performances.
- Clubs achieve strong financial performance, if professionally managed, due to multiple revenue streams (e.g., cover charge, bar receipts, performance tickets, and food)

Our recommendations for the Howard must support and complement the current and future positioning of the Lincoln Theater.

— Lincoln Theater Insights —

- In its heyday, the Lincoln maintained a superior competitive position due to the flexibility of its facilities (e.g., the colonnade behind the theater enabled dancing and a broader array of concerts/private events)
- Currently, the Lincoln Theater is at a competitive disadvantage in the marketplace
 - 1,250 seats do not provide enough upside potential to a promoter when compared to other area venues (e.g., Warner, Cramton)
 - It is too large to compete with smaller venues on a cost recovery basis
- It appears the Lincoln is not priced competitively given its disadvantages
 - The Cramton with 1,508 seats is approximately 1/3 the daily cost of the Lincoln
 - The Warner, with 1,850 seats (50% more capacity) is only 20% more expensive
- 44% of the projected rentals are subsidized (an important part of the theater's mission and funding) with 60-70 nights per year being allocated to DC-based non-profit groups

The Lincoln currently struggles to fulfill its mission.

–Lincoln Theater Insights Continued –

- The surrounding community is disappointed because the theater is not consistently active. It is also disappointed with the types of uses currently presented (e.g., boxing matches, urban circuit plays) which attract the wrong target market segments to the neighborhood
- The theater appears to be managed efficiently. While some key expenses (e.g., maintenance) have been ignored or reduced too aggressively in recent years, overall it appears the facility is operating within industry norms.
- After its renovation, a third party manager/promoter was brought in who did not successfully market or manage the facility. As a result, the brand awareness suffered and important maintenance and reinvestment were deferred.
- The District of Columbia currently subsidizes the theater's annual operating budget

Given its current pricing and accommodated level of demand, the Lincoln Theater cannot achieve a breakeven level of operations

— Breakeven Analysis —

- Annual Fixed Costs = \$630,000
- Variable Expenses average approximately \$4,241 per usage day
- Projected weighted average revenue for the current fiscal year = \$5,762
- Breakeven = $\$630,000 / (\$5,762 - \$4,241) =$

413 booked days

- Current projection = 146 booked days for FY 2004

Note: Support for this analysis may be found in the Appendices



Ownership of the Lincoln recognizes the need to change the theater's strategic direction and is currently evaluating three alternatives.

— Possible Future Operating Scenarios —

- Scenario 1: Continue to operate the Lincoln Theater as a rental facility, making the necessary infrastructure investments to improve its competitive position
- Scenario 2: Turn the Lincoln theater into a state-of-the-art digital projection movie house
- Scenario 3: Expand operations to become a producer of theatrical content, while continuing to offer presenting services

Given our preliminary analysis, we recommend the Lincoln pursue a combination of scenarios 1 and 2.

– Lincoln Theater Recommendations –

- Costs appear to be managed efficiently, therefore the focus should be on increasing revenues
 - Increase the number of seats to increase the upside potential and make the facility more competitive in the marketplace
 - Increase ancillary sources of revenue (e.g., films)
- We do not recommend the Lincoln pursue developing additional theatrical capabilities. It's facilities are not well suited to performance theater when compared to the marketplace. Furthermore, it is a complicated and difficult business to successfully operate a small theater company.
- The facility rental market should be carefully evaluated to identify the Lincoln's competitive deficiencies. Additional investment should be made to rectify these.
- The marketing budget should be increased to get the word out on the improved facility
- Carefully evaluate the "film house" potential. This use could provide an important revenue stream, that is currently not being captured, and is a flexible use that enables the facility to continue its primary focus as a rental facility. Study the Uptown, Avalon, and AFI film theaters for parallels.



In addition to the Lincoln's interests, the Howard's reuse should consider the significant transformation that is occurring in its immediate neighborhood.

– Trends affecting the Shaw/ U Street Corridor –

- Real estate property values have increased significantly over the last 24 months and continue to currently
- New upscale housing, coupled with the vibrant resale/renovation market of historic row houses is attracting more affluent residents
- The ethnic composition of the Shaw area has become much more diverse. According to Census information, from 1990 to 2000:
 - Blacks decreased from 70.2% to 56.7%
 - Whites increased from 22.6% to 27.7%
 - Hispanics increased from 8.9% to 14.8%
 - Pacific Islanders increased from 2.6% to 4.8%
 - Other races increased from 4.1% to 7.0%
- The influx of more affluent professionals into the area has risen the household median income level significantly:
 - 1/4 mile radius = \$38,984 - a 6.9% annual increase since 1990
 - 1/2 mile radius = \$34,848 - a 5.4% annual increase since 1990
 - 1 mile radius = \$44,452 - a 5.3% annual increase since 1990
- Redevelopment began on 14th street and has been steadily moving eastward, however it has not yet reached the Howard Theater's immediate neighborhood

A theater's history, heritage, and architectural importance are not strong enough factors to warrant renovation and operation of a medium-sized theater.

—National Comparable Theater Insights —

- Of all the theaters studied, the Apollo in Harlem, the Gem in Kansas City, and the Uptown in Philadelphia were deemed to be the most comparable to the Howard theater
 - All were constructed in the early 1900s to serve the cultural interests of black Americans
 - Each has a rich tradition of showcasing black national talent
 - Each was/is located in a distressed urban neighborhood
 - Over the years, each has been renovated and restored and operated as a non-profit
- The Apollo, currently successful, required significant public funding for its restoration, and an ongoing operating subsidy until it achieved its stabilized level of operations several years later
- The Gem, in conjunction with two museums, was developed to revitalize a blighted neighborhood. It requires ongoing subsidy and has not achieved its intended impact on the surrounding area
- The Uptown, despite its landmark status, location near Temple University and public transportation, and broad public support for its restoration, has been unable since 1985 to raise restoration funds
- Larger historic theaters (>2,500 seats) are economically feasible to restore if the market can support touring Broadway shows

Note: A matrix summarizing the comparable national theaters may be found in the Appendices

Several different uses have been proposed or considered for the Howard Theater.

— Possible Reuses for Howard Theater —

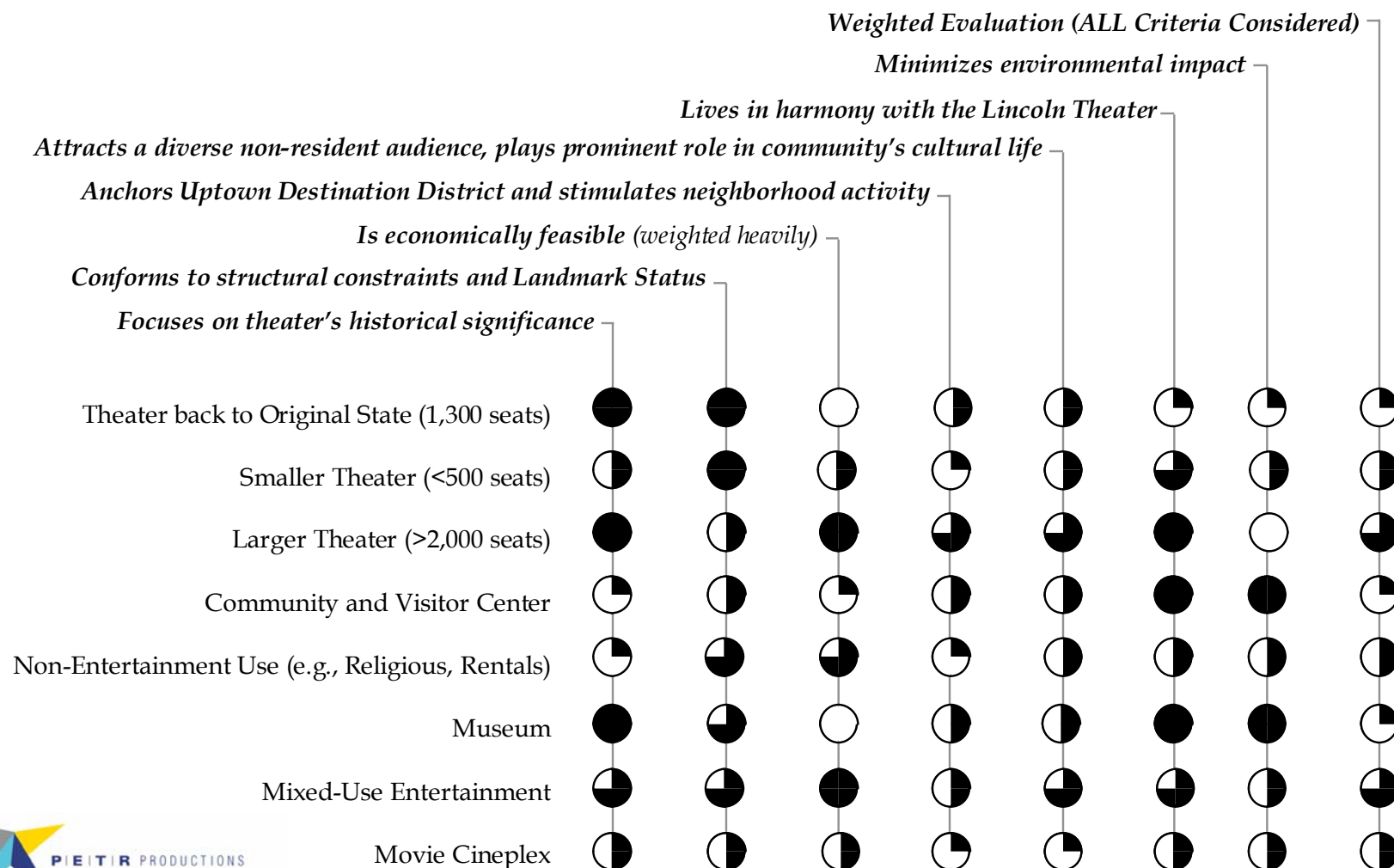
1. Renovate theater to its original condition (1,300 seats) and develop programming around its rich entertainment heritage (possibly operate as satellite to other performing arts center)
 - **Sub option A** - renovate with fewer seats (<500) and produce/present varied cultural programs
 - **Sub option B** - renovate theater with more seats (>2,000), with expanded backstage support areas to enable a broader array of programming (Requires adjacent properties)
2. Create a Community/Visitor Center that provides diverse programming to residents and a neighborhood orientation to visitors
3. Renovate theater for a non-entertainment use (e.g., auditorium, conference center, evangelical or religious congregation, private event rental facility)
4. Create a museum that celebrates the theater's history and musical heritage
5. Create a mixed use facility that includes some combination of the following: Live performance theater, recording studio, food and beverage outlets, retail store, and small museum that celebrates cultural history
6. Convert theater into a movie cineplex, with a minimum of two screens

In order to properly evaluate the different uses, we considered several important development objectives and evaluation criteria.

—Evaluation Criteria —

1. Capitalizes and focuses on the theater's historical significance as a major venue for African American entertainers
2. Conforms to building's structural constraints and its designation as a National Historic Landmark that is located within an historic district
3. Is economically feasible (required investment and financing is met by operating cash flows)
4. Anchors proposed uptown destination district, thereby creating enhanced neighborhood activity and development
5. Attracts a diverse non-resident audience, and plays a prominent role in the community's art and cultural life
6. Lives in harmony with the Lincoln Theater
7. Minimizes environmental impact on surrounding area (e.g., parking, traffic congestion, loading/servicing, and noise)

Based on the selected criteria, a larger theater (over 2,000 seats) or mixed-use entertainment facility are best suited for the Howard.



Since the larger theater would adversely impact the immediate neighborhood greatly, we further recommend the Howard be converted into a mixed-use entertainment facility.

—Mixed-Use Entertainment Facility —

- Similar in format to House of Blues (Various locations), Green Dolphin Street (Chicago), or Storyville (New Orleans) concepts
 - Medium-sized stage for concerts and solo performances with flexible seating to enable sit-down or dancing formats. Capacity from 300 to 1,500
 - Upscale, full-service food and beverage offering
 - Designed to accommodate a broad range of special events
 - Small retail store
- Incorporate an in-house band of jazz musicians, similar to Preservation Hall Jazz Band in New Orleans, to provide nightly entertainment when alternative local and national acts are not playing
- Incorporate a small (approximately 500 sf) museum in the Theater's lobby and/or dining areas to celebrate the rich cultural heritage of the Howard Theater
- Incorporate intermittent programming to celebrate the Theater's heritage (e.g, Annual Jazz Weekend, Summer Jazz series)
- Provide for outdoor garden/atrium space

The mixed-use entertainment facility alternative best balances the different objectives desired by the City and community stakeholders.

— Rationale for Recommendation —

- Celebrates the historical significance of the Howard Theater and resurrects its heritage of live music performances
- It can be implemented within the constraints of a historically landmarked building
- Combination of uses (e.g., food and beverage, live performances, retail) should enable facility to achieve a return on invested capital
- Creates an entertainment destination at the eastern edge of the U Street corridor and Uptown Destination District. Stimulates direct benefits to surrounding community businesses (e.g., other restaurants, parking facilities, retail stores)
- Wide variety of musical performances will attract a diverse audience from the regional area.
- Compliments rather than competes with Lincoln theater's larger capacity and structured seating.
- Any environmental impact should be mitigated by the additional infrastructure required to meet the proposed office, retail, and residential development in adjacent/nearby areas.



Several important next steps should be undertaken to verify our preliminary recommendation.

—Next Steps —

- Refine the selected alternative concept, based on comments and additional analysis
- Meet with Howard University representatives to discuss proposed Cultural District initiative and reuse options
- Estimate the required investment to realize concept
- Calculate ongoing operational revenues and expenses to verify economic feasibility
- Test concept, its economics, and purported benefits with key stakeholders, advisory committee and community
- Integrate selected concept into upcoming RFP for Uptown Destination District.

Important supporting information is provided in the Appendices for your review.

— Appendices —

- Summary Timeline of key historic events for Lincoln and Howard Theaters
- Matrix outlining details of unsolicited proposals and Howard University's Cultural District Feasibility Study
- Matrix summarizing comparable national theaters and destination districts
- Matrix summarizing local and regional theater venues (supplied by City)
- Matrix summarizing local theaters, including a SWOT analysis
- Supporting financial information for Lincoln Theater analysis